

P-421/M-85-758; ELIMINATING THE DIRECTORY ASSISTANCE EXEMPTION FOR HOTELS AND MOTELS AND ORDERING FURTHER INVESTIGATION REGARDING THE DIRECTORY ASSISTANCE EXEMPTION FOR HOSPITALS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of Eliminating the Directory Assistance Charge Exemption for Hotels, Motels, and Hospitals Served by Northwestern Bell Telephone Company, United Telephone Company, and Central Telephone Company

ISSUE DATE: July 30, 1990

DOCKET NOS. P-421/M-85-758;  
P-430/M-86-003;  
P-405/M-86-237

ORDER ELIMINATING THE DIRECTORY ASSISTANCE EXEMPTION FOR HOTELS AND MOTELS AND ORDERING FURTHER INVESTIGATION REGARDING THE DIRECTORY ASSISTANCE EXEMPTION FOR HOSPITALS

**PROCEDURAL HISTORY**

On October 22, 1985, Northwestern Bell Telephone Company (NWB) filed a petition requesting that the exemption from directory assistance charges for hotels, motels, and hospitals be eliminated. Docket No. P-421/M-85-758.

On January 3, 1986, United Telephone Company (United) filed a similar petition, requesting that the exemption from directory assistance charges for hotels, motels, and hospitals be eliminated. Docket No. P-430/M-86-003.

On April 30, 1986, Central Telephone Company (Centel) filed a petition likewise requesting that the exemption from directory assistance charges for hotels, motels, and hospitals be eliminated. Docket No. P-405/M86-237.

On June 30, 1986, the Commission consolidated these three petitions and ordered the Minnesota Department of Public Service (the Department) to conduct an investigation into the elimination of the exemption from Directory Assistance (DA) charges currently in effect for hotels and motels.

On January 19, 1989, the Department submitted its Report After Investigation.

On May 17, 1989, after receiving comments from the Office of the Attorney General (February 2, 1989) and reply comments from NWB (March 21, 1989) the Commission issued a Notice of Comment Period.

Between June 15, 1989 and July 26, 1989, the Commission received comments from United, Methodist Hospital, and the Minnesota Business Utility Users Council (MBUUC).

On July 18, 1990, the Commission met to consider this matter.

## **FINDINGS AND CONCLUSIONS**

The provision of telephone service by hotels, motels and hospitals may involve resale of local telephone service. However, this Order will deal solely with the exemption of hotels, motels and hospitals from paying Directory Assistance (DA) charges and will not constitute approval or disapproval of local resale. The Commission will consider the merits of resale of local telephone service in Docket P-999/CI-90-235, In the Matter of a Commission Initiated Proceeding to Determine Whether Resale of Local Telephone Service in the Public Interest.

### **The Hotel/ Motel Exemption From DA Charges**

Briefly, the "DA exemption" for hotels and motels prohibits the three petitioning telephone companies from charging their hotel and motel customers for Directory Assistance (DA) calls made from these customers' premises.

The exact circumstances under which the Commission adopted a hotel/motel Directory Assistance (DA) exemption for each of the petitioners vary.<sup>1</sup> In all three cases, however, adoption of the

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<sup>1</sup> NWB: The Commission initially introduced exemptions from DA charges for hotels/motels in NWB's general rate case, Docket No. P-421/GR-77-1509. The Commission reaffirmed these exemptions through all following general rate cases, including P-421/GR-83-600, NWB's the most recent general rate case. See FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER in that matter dated July 27, 1984.

United: The Commission instituted hotel/motel exemptions from DA charges in United's general rate case, Docket No. P-430/GR-83-599 and reaffirmed them in United's subsequent rate case, Docket No. P-430/GR-84-597. See FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER in that matter dated August 12, 1985.

Centel: The Commission adopted exemptions from DA charges for Centel's hotel and motel customers in a miscellaneous docket, P-405/M-85-25 and, upon review in 1985, affirmed these exemptions.

DA exemption for hotels and motels was based on the understanding that hotels and motels were unable to identify and pass DA charges on to the specific guests who placed DA calls.

Since the adoption of these exemptions, two developments have brought the appropriateness of continuing these exemptions into question:

First, the exemptions run counter to a general trend in rate design in the telecommunications field: the movement toward cost-based rates. Cost-based rates are those which reflect the economic costs of providing the service. Cost-based rates are aimed at improving economic efficiency because customers receive the proper price signals in making consumption decisions. This is not to imply that in certain circumstances there may not be policy objectives that may compete with a strict cost-based approach, e.g. the policy of universal service. However, in the absence of a substantial and clearly articulated competing policy, the goal of establishing cost-based rates will be given great weight.

Second, technological developments have largely eroded the basis for the exemptions, i.e. that hotels and motels were unable to identify the specific guest who placed the DA call and to pass the costs of that call on to the caller. At this time, hotels and motels have several alternatives within their means to bill for DA calls.<sup>2</sup>

The Commission is aware that some hotels and motels, most likely the very small hotels and motels, do not currently have equipment which would allow them to charge their guests for the guests' DA calls and therefore will be affected by the elimination of the DA charge exemption. However, evidence before the Commission shows that the costs of DA calls are relatively minor and the hotels/motels always have the option of including the cost of DA service in the general room rate.

On balance, the Commission finds that the inequity created by the current exemptions (general ratepayers being required to absorb the cost of providing DA to hotel/motel customers) together with evidence that larger hotels and motels are charging their guests for DA calls clearly outweighs the problem that a relatively small portion of motels may not presently have the equipment which would enable them to bill their guests separately for DA calls. Accordingly, the Commission will rescind its prohibition against petitioners charging hotels and motels for DA calls.

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<sup>2</sup> At this point the options include:

- 1) Motel PBX/Call Rating Systems: these systems can be purchased and programmed to record DA calls for guest room billing;
- 2) Hotel Billing Information Center (HOBIC): HOBIC consists of an autoquote or voicequote service that provides guest charges for DA charges for DA calls that are routed to toll trunks (i.e. 1-555-1212).
- 3) Motels that require PBX attendant handling (i.e. there is no direct dial from the guest rooms) can manually place and bill DA calls to their guests.

## **The Hospitals' Exemption From DA Charges**

The "DA exemption" for hospitals prohibits the three petitioning telephone companies from charging their hospital customers for Directory Assistance (DA) calls made from hospitals.

Petitioners argue that the policy preference for cost-based rates and the general availability of technology capable of allowing hospitals to bill patients for DA calls adequately support rescission of the hospitals' exemption from DA charges. In addition, there is no evidence that hospitals are charging their patients for DA calls as there was with respect to the larger hotels and motels.

However, the Commission finds that the policy issues involved in the hospital exemption are not identical to those involved in the hotel/motel exemption. For example, the policy considerations that support the currently tariffed exemption of disabled persons may support continuation of the hospital exemption.<sup>3</sup>

In these circumstances, the Commission will not rescind its exemption of hospitals from paying DA charges at this time. Instead, to gain a better factual basis for evaluating the hospitals' DA exemption, the Commission will direct the Minnesota Department of Public Services to conduct an investigation into this matter and file a report regarding the following issues:

- 1) To what extent do Minnesota hospitals charge their patients for DA?
- 2) To what extent could Minnesota hospitals absorb their DA charges if the current exemption were removed?
- 3) Can hospital patient rooms safely accommodate directories?
- 4) Do third-party payors (i.e. medical insurance companies) cover the expense of telephone service and DA?
- 5) To what extent are hospital patients able to use telephone directories?
- 6) What percentage of DA calls placed from hospitals is made by hospital employees and what percentage is made by patients and patients' visitors?

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<sup>3</sup> Northwestern Bell Telephone Company's General Exchange Tariff, Section 17, A, 2 (effective 9/18/89) provides an exemption from DA charges for calls billed to a residence where a member of the customer's household has been certified by a qualified authority as unable to use a directory. Docket No. P-421/M-89-101.

United Telephone Company's General Exchange Tariff, Section 10, A, 2, d (effective May 11, 1989) and Central Telephone Company's General Exchange Tariff, Section 6.7.2, d (effective March 17, 1989) use virtually identical language to exempt from charge calls to DA from customers whose physical, visual, mental or reading disability prevents them from using the telephone directory. Docket Nos. P-530/M-89-215 and P-405/EM-89-790, respectively.

- 7) What is the technical and economic feasibility of tracking DA calls to the telephones from which they were placed (i.e. from a particular patient's room or from phones used by hospital personnel?)

### **ORDER**

1. The exemption of hotels and motels served by Northwestern Bell Telephone Company, United Telephone Company, and Central Telephone Company from payment of Directory Assistance charges is eliminated.
2. The elimination of the hotel/motel DA exemption referred to in Ordering Paragraph 1 shall be implemented as follows:
  - a. Within 10 days of the date of this Order, Northwestern Bell Telephone Company, United Telephone Company, and Central Telephone Company shall make compliance tariff filings with the Minnesota Department of Public Service;

b. Within 45 days of the date of this Order, Northwestern Bell Telephone Company, United Telephone Company, and Central Telephone Company shall notify affected customers regarding this elimination;

c. Northwestern Bell Telephone Company, United Telephone Company, and Central Telephone Company shall implement Directory Assistance charges to hotels and motels effective December 1, 1990.

3. Petitioners' request that the Commission eliminate the exemption from Directory Assistance charges for calls placed from hospitals is denied at this time.

4. The Minnesota Department of Public Service is hereby directed to conduct an investigation into the hospitals' exemption from DA charges and file a report with the Commission regarding its investigation which addresses the seven (7) issues set forth in the text of this Order, within 120 days of the date of this Order.

5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster  
Executive Secretary

(S E A L)